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ABSTRACT

This background paper discusses the current system of child care finance in Washington State and analyzes options for improvement. It describes prominent characteristics of the early childhood care and education system, findings relating program quality to staff/child ratios and staff educational levels, characteristics of quality, parent preferences about care, needs for quality care, and the current financing system. A model of financing is presented involving individual employee benefit accounts for early childhood care and education. These accounts would have a 50/50 employer match which can be saved and invested, and drawn down as needed. The government would provide tax incentives to employees and employers to create a backup pool for non-covered employees and to invest in teacher training. Preliminary cost estimates for parents, government, community, and employers are discussed. The report also examines the increased costs of moving to a high quality child care and education system. Mechanisms to directly link funding to quality through a combination of regulation and incentives are examined. The report's appendix compares early childhood care and education in the United States and other countries, delineates different ways to finance early childhood education, and illustrates the use of sliding fee scales. An annotated list of national and state resources in child care, early education, and work/family relationship concludes the report. (KB)

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ACCESS TO QUALITY EARLY CHILDHOOD CARE AND EDUCATION

Background paper for the Quality Child Care Think Tank

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Draft per July, 1996

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WASHINGTON kids count

Quality Child Care: Meeting the Needs of Children, Parents, and Employers

What is quality child care and early education?

With 60% of mothers of young children working, quality of child care may determine whether kids get on the right track. Put simply, quality care requires a safe environment where children are offered interesting learning activities and the opportunity to form stable relationships. Care for young children is the first step in the educational process which ultimately produces productive adults, citizens, and workers. Quality child care nurtures a child's physical, emotional, cognitive, and social development. In all settings, children's development is affected by the quality of their child care experience.

Child care is only as good as the caregiver; quality requires training, and compensation sufficient to attract and retain teachers. In general, higher staff-to-child ratios and better-educated staff leads to higher quality care. Adequate teacher wages and specialized training also distinguish good care from poor care.

Why is child care important to business?

A well-educated, loving and informed parent is the best caregiver and educator. However, in Washington, the majority of parents, aunts and uncles, and grandparents of pre school and school-age children work; therefore non-relatives must be paid to provide early education. Child care is an economic necessity for many employees. Absenteeism caused by breakdowns in child care costs US business $3 billion a year.

Investment in child care yields high returns inside companies:

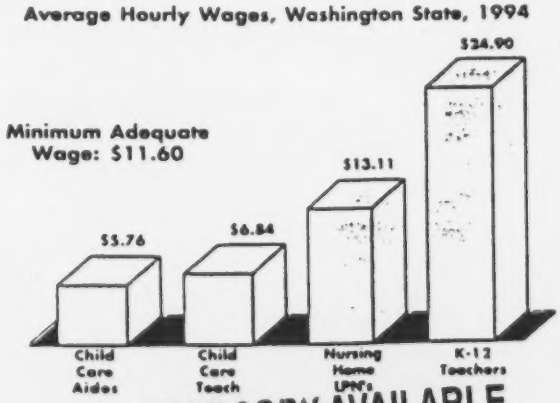
- Improved employee retention
- Higher productivity
- Reduced absenteeism

And high returns in the community:

- Enhanced public relations
- Higher quality of life
- Children who are ready for school
- A productive future labor force

What does quality child care cost?

Because child care is a labor intensive service industry, cost and quality are related. Each teacher at a child care center may care for 10 pre schoolers, and the center may be open 12 hours. Salaries account for 80% of the total cost of child care. In order to balance budgets, early childhood education teachers receive pay which is 25% less than average for workers of their education level and economic status. This results in high turn over among qualified and committed child care staff, an inability to provide the stable relationships children need, and compromised quality. There is a 42% turn over rate among child care teachers in Seattle.



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Summary:

This background paper was written for the Child Care Think Tank, a business led effort which has recommended that the citizens of Washington State -- as parents, as employers and as taxpayers -- make a critical investment in the education of the next generation of Washington workers and citizens. The group's vision is ***that every child will have access to quality early childhood care and education*** in Washington State. This is a matter of both improving the productivity of the future work force and assuring the economic self-sufficiency of families. This paper discusses in detail the background of child care finance in the current system and analyzes options for improving it. There are several major societal trends driving the need for broadened financing of quality child care and early education which must be understood:

- **A majority of households with children have all parents working**. This is due to a combination of the slowdown in real wages, and the inability to support a family on one income, combined with a changing view of women's role in society. Only affluent women have the choice to stay home and work only as a parent, and many of those still choose the gratification and long-term career impact of staying in the work force.

- **Employers depend upon parents as employees**, and in a competitive economy can no longer afford the loss of productivity of parents missing work or distracted by child care problems, no can they afford to hire redundant workers to make up for absent or distracted parents

- **We now understand that learning begins at birth**. A hundred years ago, when the universal public school system was created, it was thought that young children were mostly plumbing, and just had to be kept safe until they were about age six, at which time they could begin to learn. Early developmental nurturing is the first step in the education process which will produce productive workers and citizens.

- **Early Childhood Care and Education is one of the few major costs which is borne entirely by families at the time in their life when earnings tend to be low,** rather than having the costs spread over the general populations (as in K-12 public education) of over time (as in health insurance or home mortgages). Such spreading of costs is necessary to break the equation of child care costing too little to buy high quality and too much for working families to afford.

When massive trends of this sort converge, there is no doubt that society will address the issue. It will be resolved; the only question is how well, how effectively it is resolved. In this paper we consider the approaches proposed by the Child Care Think Tank to resolve it with the best result for children, families, employers and the community. The key to this resolution is a financial partnership of parents, employers and taxpayers, with a direct link between improved financing and improved quality of care, and with parents as the front-line monitors of quality.

Economic necessity. Having all parents working outside the home is now an economic necessity for 60 percent of young children age 0-6. This percent is likely to increase due to continuing

trends in women's preferred work force participation and due to welfare reform provisions requiring more low income women with children to work. Seeing these children are cared for in safe, affordable situations is therefore a necessity for employers. For children to fulfill their potential as learners, however, their care must be more than safe -- it must be nurturing and stimulating to their minds and bodies, and teach them appropriate social skills. Fortunately, we know how to provide such care, and accrediting bodies are able to certify where it is offered. Unfortunately, major studies have demonstrated that only a small minority of children are actually receiving high quality early childhood care and education.

What is Quality. Quality early childhood care and education consists of stimulating and nurturing interaction between teachers and children. Facilities and equipment are useful additions, but they are secondary to the skills of the teacher. Quality therefore depends on the professional preparation of teachers, the stability of their attachment to the provider and the ratio of children to teachers. Recruiting and retaining high quality staff requires higher compensation than current levels, which are about $6 per hour in pay and minimal health and retirement benefits. Teacher turnover in Seattle is currently about 42% a year. Employers know that high turnover disrupts a workplace, and reflects poor morale. Child development experts know rapid turnover interferes with the bonding of children to caregivers which is such a critical component of developing a child's sense of trust, which is in turn necessary for both emotional and cognitive development.

Teacher Compensation for Quality. It is nearly impossible to recruit and retain quality teachers at the current average pay of about $6 per hour, with minimum benefits. The need for qualified, professional teachers has been recognized in K-12 public education, and average pay for a Washington public school teacher exceeds $25 per hour, about four times the amount we currently pay the teachers of our youngest children. Nothing magical happens at age six which makes a child four times as demanding to teach; rather, learning is a continuous process beginning at birth. What we invest in the early years will largely determine what return we get from our investments in elementary, secondary, and higher education. It is therefore clear that *high quality* early childhood care and education will cost more than we are currently paying, since quality requires well-trained, competent teachers who stay long enough to develop stable relationships with children.

We believe that a new three-way partnership of parents, employers, and government can allow working families to meet the increased cost of quality early education:

- **We ask first what is reasonable for parents to pay, based upon their income levels.** Low income parents are currently priced out of the market. Affluent parents are effectively subsidized by teachers who are paid far below what it costs to support their own families. Our recommendation is that early education costs should not exceed 10 percent of family income, and that low income workers should not have to trade off between child care and other basic necessities of life.

- **We next look to flexible voluntary accounts, with 50/50 employee/employer contributions.** Building on existing tax code which allows for "cafeteria" style benefits plans, we recommend the development of flexible employee accounts to pay for child care or later life expenses to be drawn down as needed. This approach will require a much lower

contribution rate than a pay-as-you-go system, and will allow for employer creativity in arranging benefits. A change of tax code will be required to allow for employee matching and accumulation across years, and questions will be addressed regarding the fiduciary responsibility for the employer-directed investment accounts. Tax incentives for employees and employers will encourage participation.

- **We turn to government as the payer of last resort for low income families and their children.** This should be in the form of direct vouchers for quality early childhood care and education for families living below the poverty line. For low wage workers, who usually receive the least in the way of employee benefits, we recommend a public contribution to the individual family care accounts, or a back-up pool for non-covered employees.

- **Community contributions, such as rent-free space, in-kind contributions of equipment or service, or volunteer assistance in the classroom, would reduce the cost of quality and thereby the cost of public and private funding.** These contributions should continue to be encouraged. Important federal contributions, such as the Child Care Tax Credit, favorable tax treatment of Dependent Care Assistance Plans, and vouchers and capacity-building grants should be expanded to meet the costs of quality; if such action is taken at the federal level, it will reduce somewhat the financial contributions projected in this report.

Improved financing is necessary for quality full early childhood care and education, but it is not sufficient, and we do not recommend writing a blank check to providers. Rather, **we recommend specific provisions for linking increased costs to increased quality**. These include better training of teachers, education of parents to be the front-line monitors of quality, and a system of peer review and mentoring for teachers and providers.

The Quality Child Care Think Tank is a group of business leaders, supported by the *Washington Kids Count* project at the University of Washington. The initial meetings and follow-up activities have been co-sponsored by Microsoft, Seafirst Bank, Washington Mutual Savings Bank, the Association of Washington Businesses, the Washington State Child Care Coordinating Committee, the U.S. Department of Labor's Women's Bureau, Washington Association for the Education of Young Children, Child Care Resources' Business/Child Care Initiative, Washington State Child Care Advantages, Department of Social and Health Services, the City of Seattle and the Boeing Company.

The mission of the initial phase of the working group has been to examine the issues and problem with early childhood care and education finance, to project how much a fully funded, quality system would cost, and explore different funding mechanisms. The engineering phase of the project will include a more extensive analysis of the specific payment mechanisms and participation in the proposals, and the marketing phase will take the proposal to the three partners - parents, employers, and government and seek support for its implementation.

This report lays out the conceptual design of the proposals which have been developed and discusses costs and policy issues in more detail. The views on detailed policy issues are those of the authors, and not necessarily the task force members.

The Early Childhood Care and Education System

Prominent aspects of our early childhood care and education system:

Before we explore what makes up quality early childhood care and education, we will briefly discuss some of the prominent aspects of the early childhood care and education system in the United States which will be useful to keep in mind while thinking about financing a quality early childhood care and education system. Early childhood care and education varies in a number of ways, including by:

- type of arrangement: child care center, family day care homes, relative or other informal care
- licensed vs. unlicensed status
- part time vs. full time
- age of the children cared for
- profit vs. non-profit status

Type of arrangement:

Parents who work use a wide variety of formal and informal arrangements. The primary paid arrangement for a large proportion of pre-school age children with an employed mother is through family day care homes (19%) or early childhood care and education centers (23%). Forty eight percent are cared for by a parent or relative, and the remainder may be cared for through other arrangements such as an in-home non-relative such as a nanny. Early childhood care and education centers are organized facilities in which large groups of children receive care such as nursery schools or day care centers. Family day care homes are typically private homes where care is provided for a small number of children. While quality varies within each type of arrangement, national studies have found that overall, center care tends to be of higher quality than family home care. This is due to the fact that many families rely on family day care, between 82 and 90 percent of family day care homes in the US are unregulated.[1]

Licensed vs. unlicensed:

Early childhood care and education licensing regulation varies from state to state, but typically specify a maximum number of children per caregiver (child/staff ratio), maximum number of children in a single class setting (group size), and some staff training requirements. Usually, care of a small number of children (2 or 3) is exempted from licensing, and the recommended child staff ratios vary according to age of the children. Because the early childhood care and education system as a whole is semi-regulated, a significant proportion of family day care homes are unregulated and operate illegally.

In Washington in 1990, 230,00 pre-school children (more than half the total) were in families with all parents working. Of these, 127,000 or 55% were in licensed care. The remaining 103,000, or 45% were being cared for informally: some by parents juggling work schedules or relatives, and some in unlicensed care.[2]

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Age of the children cared for:

A further important distinction in looking at the total early childhood care and education system is the costs of care for different aged children. Early childhood care and education is frequently broken down into the following age groups: infant, toddler, pre-school, school-age. Infant care is by far the most expensive. The average cost of infant care in Washington State is $476 per month as opposed to $330 per month for pre-schoolers. Licensed early childhood care and education centers in Seattle charge an average of $263 per month for before and after school care. The differences in costs are due in part to the required child/staff ratio which is 4 to 1 for infants, 7 to 1 for two years olds, and 10 to 1 for four year olds in Washington State.[3]

Part time vs. full time:

The amount of early childhood care and education used varies from family to family. Families with more children and younger children have been found to be more likely to pay for early childhood care and education[4]. 55% of all children (including school-age children) enrolled in licensed early childhood care and education in Washington are enrolled full time.[5]

Profit vs. non-profit status:

The for-profit sector plays a significant role in the provision of early childhood care and education in the United States. A national study conducted in 1990 found that 35 % of all group day care centers operate for-profit.[6] For-profit centers are found to be cheaper than non-profit centers,[7] and have been found to provide lower quality care than non-profit centers.[8] The quality gap between for-profits and non-profits may be due to both sacrifices to increase the profit margin and limited access to government resources such as programs like the Child and Adult Care Food Program.

How is the current US system working?

A major study *Cost, Quality, and Child Outcomes in Child Care Centers*[9] collected data from 401 centers and 826 children in four states. It found that whereas children's cognitive and social development were found to be positively related to the quality of their early childhood care and education experience, the care at most centers in the United States was found to be sufficiently poor to interfere with children's emotional and intellectual development. Other studies have found that the quality of care in family day care homes tends to be of lower developmental quality than that provided in centers.[10] It was also found that:

- Only one in seven centers provides a level of quality that promotes healthy development. Early childhood care and education in one in eight centers threatens health and safety. Seven in ten centers are providing mediocre care which may compromise children's ability to enter school ready to learn. Infants and toddlers fare worse. Forty percent of the infant and toddler rooms were observed to endanger health and safety. Only one in 12 of infant and toddler rooms are providing developmentally appropriate care.

- The quality of early childhood care and education is primarily related to higher staff-to-child ratios, staff education, and administrators' prior experience. In addition, teachers' wages, their education and specialized training were the most important characteristics that distinguish poor, mediocre, and good-quality centers.

- States in this study with more demanding licensing standards have fewer poor quality centers; centers that comply with additional standards beyond those required for basic licensing (such as those required for funding or accreditation) provide higher quality services.

- Centers with extra resources that are used to improve quality do provide higher quality services.

What is implied by these findings is that quality is related to staff in two ways; staff-to-child ratios and levels of staff education.

Parent/Provider Conundrum:

> *"Low and moderate income families simply cannot afford what it costs to have quality services with reasonably paid workers. This dysfunctional supply and demand system frequently results in inadequate supply, mediocre to poor care and poor wages and high turnover."*[11]
>
> - Robert Edie, Economist

"Although early childhood care and education fees are high from the perspective of parents, they are low from the perspective of early childhood care and education providers."[12] Whereas early childhood care and education costs take an average of 20% of after-tax wages for the average worker per child in Washington State,[13] providers also have a tough time making ends meet. Because early childhood care and education is a labor intensive service industry, early childhood care and education workers tend to be low-paid, and make about half the wages needed to provide adequately for a family. They make from a half to a quarter as much as other service professionals such as kindergarten teachers. Low pay leads to rapid turnover, which leads to unstable relationships found to be detrimental to early childhood care and education development. There is a 42 % turnover rate among early childhood care and education professionals in Seattle.[14]

Although early childhood care and education professionals who accept low wages see themselves as aiding parents, these hidden subsidies do not help the picture in that "accepting extraordinarily low wages, in an effort to accommodate tight parental budgets, providers help parents to pay their bills in the short run but also guarantee that early childhood care and education will remain a low-paying, relatively unattractive profession in the long run."[15]

On the parental side, it is not just the minimum wage earner who need and receive subsidy. The bulk of jobs which are supported by the child care subsidies were found to cluster at between $7 and $10 an hour.[16] Jobs at less than $7 an hour make up fewer than 20% of all subsidized jobs. Although the size of the family and number of wage earners determine the wages at which a family can provide for itself, the dominance of of $7 to $10 an hour jobs supported by child care subsidies supports the minimum level at which a family can make do is a good deal higher than the minimum wage.

What does quality mean?

"Quality" in the *Cost, Quality and Child Outcomes* study refers to the child development expert's definition of quality. Quality early childhood care and education is not a homogeneous service[17], the term "quality" is a used as a shorthand for many attributes. However, ***quality early childhood care and education is consistently linked to better paid staff***. Better trained, more competent individuals who can provide quality care also can command higher salaries and move into better paid positions. The resulting failure of the child care market to recruit and retain quality staff results in lower quality care provision.

Quality early childhood care and education nurtures a child's physical, emotional, cognitive, and social development. Care for young children is the first step in the educational process which ultimately produces adults, citizens, and workers. Put simply, quality care requires a safe environment where children are offered interesting learning activities and the opportunity to form stable relationships.[18]

Quality early childhood care and education can make a difference for children and provide a foundation for what they need to be successful. Comparison studies between groups of low-income three- and four-year-olds showed that by age 27, individuals who had attended a quality early childhood development program were more likely to be literate, employed, and enrolled in post-secondary education and were less likely to be school dropouts, dependent on welfare, or arrested for criminal activity or delinquency than those who had not attended.[19] One dollar invested in high quality preschool education returns about $7.00 in savings because of lower special education and welfare costs and higher worker productivity.

It is important to note that quality is a continuous variable; that is there is no magic threshold. Rather, the greater the investment, the higher the quality of early childhood care and education.[20] In summarizing research on quality of care, the National Academy of Sciences Panel on Child Care Policy[21] described six characteristics of care that have been shown to be associated with child development outcomes:

- Group size, staff - child ratios and caregiver qualifications, all of which affect the level and quality of child-caregiver interactions. Lower ratios mean more individualized attention and interaction with the individual child, which facilitates the child's intellectual and personal growth, and allows for less disruptive behavior among the children.

- Caregiver stability and continuity, which has been found to be important for the development of secure attachments and future school adjustment. This is facilitated by low provider turnover. Children develop personal attachments to early childhood care and education providers and can feel insecure when their provider leaves unexpectedly.

- The structure and content of daily activities, which relate to cognitive development and require well trained providers with the ability to stimulate children, implement developmentally-appropriate activities, and provide emergency care. This also includes an ability to be warm, friendly, and respectful to the children in care.

- Space and facilities -e.g., the age-appropriateness of the activities areas - which affect social interactions and development. Adequate materials, such as climbing equipment, toys that stimulate creativity and books appropriate to each child's age. This also includes safe and hygienic equipment and policies.

Quality as defined by child development experts is tied to staff in that it depends heavily on the ratio, preparation, and stability of staff providing care.[22] This ties quality to cost because early childhood care and education is a labor intensive industry and salaries account for 80% of the total cost of early childhood care and education. Recruiting and retaining high quality staff requires appropriate compensation. ***Therefore, quality care costs more.***

Parent's preferences vs. child development

The characteristics of care which are valued by parents may vary from child development experts' but it is important nonetheless to consider parent preferences while designing a financing model as parents ultimately make the decision as to what care is used.[23]

There are two reasons why there is a tension between child needs as defined by experts, and parents preferences:

- Parents' idea of quality care may differ significantly from experts.
- Parents may have limited knowledge about the qualities of their care options.[24]

Under some circumstances parents are willing to make trade-offs between the quality of care as conventionally defined in the child development literature and other features of care.[25] Quality factors from the perspective of the parents may include convenience factors such as:

- location
- hours
- dependability
- affordability
- accessibility
- whether the provider is a relative
- whether the provider shares parent's values or religion[26]

The second reason why parents' decisions may differ from expert recommendation is because early childhood care and education users may not know the identity of all potential providers. Resource and referral agencies are an attempt to combat the daunting nature of the child care search. The success of resource and referral agencies depends on their ability to maintain comprehensive and accurate lists of providers in each neighborhood. This is made difficult and costly due to the frequent entry and exit of the market by smaller providers because of low wages, and the unwillingness of unlicensed providers to identify themselves.

Thus, parents may not be well informed about the full set of early childhood care and education options potentially available to them. Even if they are, parents are not present during much of the provision of the care, or may not know the right questions to ask teachers and children to find out what is going on. It is therefore difficult to monitor the level of quality their child is receiving. Many parents know less about the quality of care than do the providers. This can result in

adverse selection in which only low quality providers enter the market, or hidden action in which providers defraud consumers who cannot perfectly monitor them.[27]

Parents using better quality care do not necessarily pay more than do other parents.[28] This may help explain the fact that the price parents pay for child care tends to be unrelated to regulatable indicators of child care quality.[29] However, parents with greater income typically use more formal care of higher quality. The minimum acceptable quality of child care varies across families and may be less than, equal to, or greater than the quality of care recommended by child development experts.[30] Each family makes child care consumption decisions based on the combination of child care factors including quality, amount, and conveniences such as hours and location.[31]

Although a parent's perception of quality may differ from the child development expert's definition, accessibility and convenience play into both definitions in that it is not recommended that children stay in care more than 8 hours a day. If early childhood care and education is inaccessible to an employed parent, transportation time may increase the time spent in care past the recommended amount.

The bottom line that all can agree on is that safe, healthy, and stimulating care should be available to all children. Early childhood care and education is only as good as the caregiver; the key to the provision of quality early childhood care and education is maintaining a competent staff.

Why is quality care needed?

Early childhood care and education is a critical support to many workers because of the dramatic demographic change of mothers with school age children moving into the work force. From 1970 through 1985 the labor force participation rate of married women with children under the age of three doubled so that in the 1985, approximately 51 % of these women participated in the labor market.[32] In that same time period, the use of relative care declined while market care (by centers and family home providers) increased. What is the scale of this shift? The Children's Defense Fund has calculated the following figures using 1993 data in their booklet "Child Care and Development; Key Facts":

Mothers in the labor force:

- In 1993, 67% (23 million women) of mothers with children younger than age 18 were in the civilian labor force, an increase of 20% age points since 1975. (Marital and Family characteristics of the Labor Force'"[33]
- In 1993 the majority of all mothers - even those with very young children - were in the civilian labor force. For example, 51% of mothers of children younger than one, 54 % of mothers with children younger than age three, 64 % of mothers with children ages three to five, and 75 % of mothers with children ages six through thirteen were in the labor force.[34]
- The proportion of mothers working outside the home is growing even among women with very young children. The proportion of all mothers of children younger than three who were in the labor force more than doubled in the past 20 years, from less than one quarter in 1967 to current levels of 54 %.[35]

- The majority of employed mothers worked time - in 1993, more than two-thirds (70 %) of employed mothers with children younger than six, and three fourth (75 %) of employed mothers with children ages six to thirteen, worked full time. This pattern also held true for mothers with very young children - 69 % of employed mothers with children younger than three worked full-time.
- Many working mothers are solely responsible for supporting their families. In 1993, 22 % of mothers in the civilian labor force were the only wage earner in the household.

Fathers in the Labor Force:

- In 1993 there were 1.2 million single fathers in the civilian labor force or in the armed forces who had children younger than 18 living with them.

Children with Parents all in the Labor Force: (statistics differ due to families with multiple children.)

- In 1993, 63 % (39 million) of children in families had both parents (or one parent if living in a single parent family) in the labor force. Specifically, 53 % of infants younger than one (1.75 million), 55 % of children younger than six (11.9 million), and 67 % of children ages six to seventeen (27.3 million) had both parents (or one parent if living in a single parent family) in the labor force.
- Two of three (66 %) children younger than 18 living in single-parent families had their mother (or father if in a single male-headed family) in the labor force in 1993.
- The proportion of children younger than six with mothers in the labor force has been rising steadily in recent decades, increasing from 29 % in 1970 to 54 % (11.5 million) in 1993.

Our current financing system:

Clearly, these statistics indicate a need for a system which provides access to quality early childhood care and education to all children. In our current system, parents pay the bulk of the child care costs, with support from the government to lower-income families. The private sector makes limited contributions in the form of on-site child care, donations of in-kind services, or direct grants to providers. Parents, the business community, and government are partners with a reason to invest in quality child care. It is this partnership which is further explored in this paper.

What are parents currently contributing?

Affluent parents, the small percentage who often pay $5-10,000 per year for private K-12 schooling, could afford to pay more for early childhood care and education and are in effect being subsidized by the low wages accepted by their children's early childhood care and education providers. The average family spends 20% of the household income on early childhood care and education, per child. A response to the fact that low income parents pay up to 30% of their income to early childhood care and education, whereas upper income parents pay closer to 5% of their income might be to institute some form of a sliding fee scale which would take family income into consideration, either directly (through fees charged by providers) or indirectly (through variable rates of subsidy in the form of vouchers or tax credits).

What is government currently contributing?

Government at all levels -- federal, state, local -- provides several forms of assistance to early education. The Federal Head Start and Washington State's Early Childhood Education Assistance programs provide education for many low-income preschool children, usually with a high quality of teaching and related family services. However, this does not fully meet the needs of parents or employers, since most of the programs only run half day, and do not serve the youngest children who have the greatest need and cost of care. Some have suggested that government assistance should be expanded and made to match the assistance to K-12 education, as is done in many European countries. However, due to the highly varied needs of children, parents and employers, there is a danger of reproducing the rigid and uniform K-12 system for children ages 0-6. This would also require major tax and spending increases.

Regulation:

A simple answer and role for government might seem to be to regulate the early childhood care and education market, inducing higher quality by regulating type of care provided. Licensing regulation could require teachers to have specific levels of training and competence, forcing providers to pay the higher compensation necessary to attract the quality teachers. There are several problems with this approach as an isolated solution:

- The early childhood care and education system is semi-regulated; there are a wide variety of formal and informal and casual arrangements which do not fit into regulatory systems.

- Paper credentials do not necessarily equal higher quality. Many competent teachers who lack formal education would be driven out of the system. This would increase costs and deny an important source of entry-level work.

If such regulations were enforced, they would raise the cost of providing early childhood care and education significantly. If the cost is passed on to the providers (because of consumer inability or unwillingness to pay), some licensed providers may leave the market. The result may be overall decrease in quality due to the fact that unlicensed home based care is difficult to regulate. If the costs were passed on to consumers, fees would be raised beyond the reach of average wage working families. Many people would be driven into the unregulated sector of early childhood care and education.[36] In both cases the result of regulation without increased subsidies would be a decrease in the use of regulated care.

"It has also been argued that most low income families cannot afford to purchase licensed early childhood education. Instead they tend to rely on unlicensed care and pay less than minimum wage to caretakers who do not declare their income for social security purposes."[37] This problem is particularly acute for care of infants, which costs an average of $476 per month per child in licensed facilities.

What is business currently contributing?

In some cases, employers are responding to employees' early childhood care and education problems. Many employers are finding creative ways to help. The most common thought that

comes to mind when employers consider early childhood care and education benefits is on-site early childhood care and education provision. This is frequently not economically feasible, and does not provide the feasibility that parents need in terms of location and scheduling. Other strategies include:

- Programs to help employees find early childhood care and education, which is generally known as information and referral.
- Work/family programs which include flexible leave and scheduling policies, part time work, job sharing.
- Attempts to improve the quality and supply of early childhood care and education by donating expertise or grant making to existing or new early childhood care and education providers.
- Develop business consortia wherein companies work together to provide early childhood care and education resources for their employees.

What is the business interest in financing quality early childhood care and education?

In this time of tight markets and competitive economic picture, how can investment in early childhood care and education be a cost effective business investment? The reason is that employees who cannot find or maintain stable early childhood care and education arrangements suffer and the workplace suffers. Child care is an economic necessity for many employees, one third of all employees have early childhood care and education responsibilities. By the year 2000, 2/3 of new entrants to the job market will be women.[38] In Washington state, 60 % of children younger than six have either their only parent or both parents in the labor force. Absenteeism caused by break-downs in early childhood care and education arrangements costs US business $3 billion a year.[39]

Businesses are driven by the bottom line and the needs of their employees as well as concern for the communities where they are located. In the short run the effects of available quality early childhood care and education such as productivity, employee retention and reduced absenteeism, and enhanced community relations are hard to isolate. There is little quantitative evidence, beyond anecdotal data, that connects productivity gains to accessible, affordable wazzu early childhood care and education. However, a study at IBM revealed that people ranked work/family support number two against other benefits (higher than pay). Further research is now being conducted regarding the impact of early childhood care and education and family programs.

Employer involvement in early childhood care and education seems to be on the rise. It is clear that there has been a substantial increase in employer supported early childhood care and education initiatives. Programs that were virtually non-existent a decade ago, like early childhood care and education resource and referral, are present in 55% of the larger employers and even in 4% of firms with 1000 or fewer employees.[40] However, business contributions mostly affect a limited number of employees. In order to move the market to higher quality and equal access, an employment-based system which benefits all employees with children is required. Investment in early childhood care and education appears to yield the following in the short run:

- improved employee retention

- higher productivity
- reduced absenteeism

And high returns in the long run[41]

- enhanced public relations
- higher quality of life
- children who are ready for school
- a productive future labor force.

How can communities contribute to quality care?

Much of the unseen subsidy to early childhood care and education comes from community contributions, such as free space in churches, school, or public buildings, contributions of cash, equipment or food, and the time of volunteers. For example, as Gormley has noted, "One-third of all day care centers do receive some significant in-kind contributions, but only 15 % of day care centers receive free or discounted space."[42] This is clearly an important resource to encourage, but cannot be counted on to provide a stable operating budget that will support quality teachers. Rather, such contributions can be important sources of enhancement for facilities and programs; the basic costs must be maintained from stable sources of funding and built into the fee schedule. It is important that community members recognize the true costs of quality care and education, and recognize that their contributions are supplemental enhancements, and provide support to stable core funding streams.

It seems clear that given the interests and abilities of the above partners, there is an opportunity to forge a new three-way partnership of parents, employers and government to meet the increased cost of quality early child care and education, and to institute new mechanisms to assure that the increased funding produces higher quality early. The potential new partnership is discussed in the following section of the paper.

A New Model:
Individual Employee Benefit Accounts for Early Childhood Care and Education

There are several major societal trends driving the need for universal financing of quality child care and early education:

- **A majority of households with children have all parents working**. This is due to a combination of the slowdown in real wages, and the inability to support a family on one income, combined with a changing view of women's role in society. Only affluent women have the choice to stay home and work only as a parent, and many of those still choose the gratification and long-term career impact of staying in the work force.

- **Employers depend upon parents as employees**, and in a competitive economy can no longer afford the loss of productivity of parents missing work or distracted by child care problems, no can they afford to hire redundant workers to make up for absent or distracted parents

- **We now understand that learning begins at birth**. A hundred years ago, when the universal public school system was created, it was thought that young children were mostly plumbing, and just had to be kept safe until they were about age six, at which time they could begin to learn. Early developmental nurturing is the first step in the education process which will produce productive workers and citizens.

- **Early Childhood Care and Education is one of the few major costs which is borne entirely by families at the time in their life when earnings tend to be low,** rather than having the costs spread over the general populations (as in K-12 public education) of over time (as in health insurance or home mortgages). Such spreading of costs is necessary to break the equation of child care costing too little to buy high quality and too much for working families to afford.

When massive trends of this sort converge, there is no doubt that society will address the issue. It will be resolved; the only question is how effectively it is resolved, whether the community will limp along with a minimally satisfactory solution or seize the opportunity to simultaneously improve economic productivity and the quality of education. There are only a few broad classes of options available:

1. Continue on the present course. This implies maintaining a system which continually strains against inadequate funding, where only a small minority of children are in high quality care, and many moderate income parents are either forced out of the work force or live on bare maintenance incomes. A limited number of low-income children (not infants or toddlers) will receive part-day care in Head Start or ECEAP programs. Small improvements to the system through extra employer contributions, more government vouchers for the low income or tax credits for middle-upper income families, will help a few families, but will not significantly change

the quality of the system. The result will be large numbers of poorly educated children who become marginally productive adults, and large numbers of parents who remain inadequate consumers since their work opportunities are curtailed or too much of their income is absorbed by the cost of child care.

The extension of the current system is somewhat akin to how we finance higher education, with a mixture of government subsidies for low income students and sponsorship of colleges and universities, along with a hodgepodge of tax credits, loans and subsidies. While we produce good quality higher education, fewer than half the graduating high school seniors have access to it. The economic result is that one third of the families with children which are headed by a high school graduate have inadequate income to support their family.

2. Absorb early education into the public school finance system. This has the appeal that the public already accepts the principles of public funding and professionally trained teachers, and could apply this to early years. However, there are several dangers. First, the uniformity of the public school system could be also transferred to early education, leading to a lack of choice and flexibility in meeting the needs of various children and the values of their parents, undercutting the move to quality. Second, the high overhead costs of public schools -- layers of bureaucracy, expensive facilities, transportation -- could also be added to the early education system, producing much higher total costs and tax rates. There would also be pressure to pay early childhood teachers the same salaries as K-12 teachers; while this might be equitable and desirable, in the next 3-5 years, the system can be moved to much higher quality without increasing costs by a factor of four.

3. Finance universal access through a new tax, such as a payroll tax. This would have the advantage of using the 50/50 employee/employer contribution model of social security, and be highly equitable among workers. A mechanism is already in place to collect the tax, regardless of whether the state has an income tax. Substantial new funds would be added to the system, but without the high cost guidelines of the pubic education system. It would have the disadvantage of creating a new tax, and using pay-as-you-go financing, which requires the highest tax rate and creates employment disincentives. While there is a potential to allow individual choice and flexibility within the system, there is a danger that there would be pressure to accompany a uniform financing system with a uniform delivery system, as with the public schools.

4. Build on the voluntary employee benefits system. This allows access to be universal without being uniform. If we extend the best features of flexible cafeteria plan benefits (section 125), we can have a system which allows each employer to fit a new benefit within their particular compensation and benefit structure. If we combine that flexibility with the investment features of 401(k) or IRA plans, and allow contributions for child care and education to accumulate, be invested in private securities, and drawn down at a later time, the contribution rate can be minimized. The disadvantage of a voluntary system is that moderate income employees in marginal companies are not likely to be covered in the short term; it would therefore be necessary to create pooled coverage arrangements and a government-sponsored backup plan.

We believe that the last option provides the greatest room for creativity in both financing and delivery of service, and is likely to produce the greatest increase in financial access to quality early care and education at the lowest increase in public tax and spending rate.

In the rest of this paper, we will discuss in more detail how such a system could work. While we have prepared some initial cost estimates, more extensive analytic work is required to fully understand the economic impact of a dynamic system of employee benefits, tax incentives and parent contributions.

The Basis for A New Partnership: Mutual Interest

Employees and employers share a joint interest in quality, affordable early childhood care and education. Employees need care for their young children so they can work and so they can be assured that their children are receiving the developmentally appropriate nurturing which will get them on track for the educational process. Employers need parents free to work, without having to divert their attention on a daily basis to handling child care arrangements. Both employees and employers seem to be caught in a cost bind: if either were to pick up the entire cost of high quality ECCE, they would find themselves faces with either an excessive hole in the family budget or employment costs so high as to threaten competitiveness.

There are two cooperative solutions to this joint dilemma. First is a sharing of financial responsibility parallel to the recognition of mutual benefit. Second is to spread the risk over larger populations and larger time frames. This is the traditional insurance solution we follow for health, disability and natural disaster, and it has served us well. Universal financing for K-12 public education spreads the cost of education children over the entire community. Both individuals and corporations pay the real estate taxes which support most public school systems. The tax take from any individual in any year is minimized, since all pay, regardless of whether their children are in school, graduated or yet to be born. And even for those with no children, the community interest in a well-educated citizenry is well established and accepted. Similarly, all have a stake in the early education of all young children, since it is a prerequisite to the later large investment in public schooling.

An often-neglected business interest in affordable quality early care is that parents whose entire discretionary income is absorbed by child care costs are inadequate consumers of the goods and services offered by the business sector. Reducing their costs by spreading responsibility over more employees and over a greater time horizon will leave them more money to spend on the goods and services which business sells. It is thus in the interest of both employees and employers to contribute to the costs of quality ECCE. It is also in everyone's interest to create a system where everyone contributes every year, but only draws down when needed, in order to spread the cost.

We have therefore developed a new model, where the key element is a voluntary individual employee benefit account, with a 50/50 employer match, which can be saved and invested, then drawn down as needed. Government's role would be to provide tax incentives to employees and

employers, to create a back-up pool for non-covered employees, and to invest in the training of early childhood care and education teachers. A community-based peer-review and mentoring system with parents as partners, would assure that improved financing brings improved quality.

The objective of the Child Care Think Tank has been that every child will have access to quality early childhood care and education in Washington state. Quality is tied to staff compensation, since quality it depends heavily on the ratio, preparation, and stability of staff providing care. Recruiting and retaining high quality staff requires higher compensation. Therefore, quality care costs more.

This paper discusses the opportunity for a new three-way partnership of parents, employers and government to meet that increased cost and assure that the increased funding produces higher quality early childhood education and care. We will present preliminary cost estimates for the various participants in the partnership.

THE PARTNERSHIP

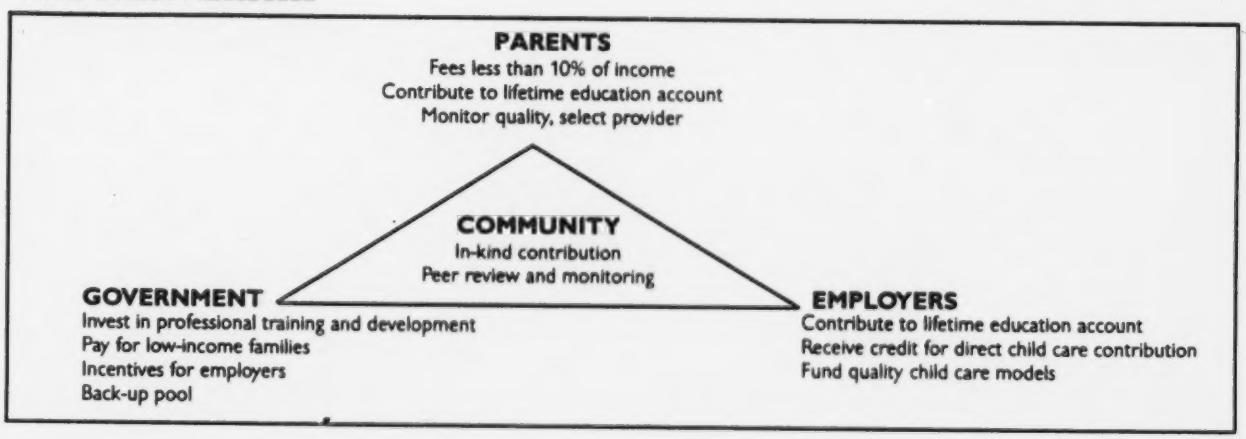

Table 1 shows the total cost of a high quality early childhood care and education system for the state of Washington. The total cost increase would be between one and two billion dollars a year, as both teacher pay and qualifications improved, and as more parents chose to use paid care in response to the accessibility of higher quality care.

Table 1
Cost and Participation Estimate
(millions of 1994 Dollars)

	Percent Kids in Paid Care	Avg. Cost per Child, Per Year	Total Cost of Care	Increased Cost to System
Current	53	$4,200	$983 Million	-0-
Intermediate	63	$6,500	$1,797 Million	814
Full-scale	73	$8,300the	$2,672 Million	1,689

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The cost of quality increases based on numbers of kids likely to need care at the two price and participation levels ranges between 800 million and 1.7 billion dollars per year (in constant 1994 dollars).[a] Table 2 shows how these increased costs will be shared by parents /employees, employers and taxpayers.

Table 2
Partnership Shares of Total Cost of System
(Millions of 1994 Dollars)

	Interim: 63% of Kids 0-6 Served @ Cost of $6,500	Full-Scale: 73% of Kids 0-6 Served @ Cost of $8,300
Parents:		
Avg. Parent Cost Per Child Served	**$3,551 (55% of total)**	**$4,040**
Parent Cost Per Child Served @ 200% Poverty	$1,083	$1,083
Parent Cost Per Child @ 600% Poverty	$6,500	$8,300
Employers:		
Employer Cost Per Employee	$196	$336
Avg. Employer Cost	$2,604	$4,465
Employer Contribution Per Child Served	**$1,638 (25%)**	**$2,414**
Taxpayers:		
Cost Per Taxpayer	$152	$250
Tax Cost Per Child Served	**$1,326 (20%)**	**$1,872**

We recommend building upon the important elements of parental choice and provider flexibility inherent in the current early childhood system, rather than creating a new uniform system of financing and providing care. The intent is not to capture and control the current system, but rather, to shift the entire early childhood care and education market upward to promote higher quality care. Because the system is composed of diverse parents, children, and many small providers, shifting the system to higher quality levels will require time. This process will involve upgrading skills and recruiting new people into the system. The working group projects a phase-up to quality care over five years. We expect the cost of care and the rate of participation by parents to increase steadily over this period.

[a] As a point of reference this increase represents between $339 and $703 per Washington state household, or between 10% and 19% of the Washington state expenditure on K-12 education.

Cost of quality:

To determine the total and increased costs of moving to a high quality system, we took two major factors into account:

- the current and future cost per child of care with adequate teacher compensation; and
- the number of parents likely to be drawn into the labor force and children likely to require care as a result of improvements

Cost Per Child, Per Year

According to the early childhood care and education literature, the best corporate models cost $10 - $12,000 per child per year. The current average cost of caring for one child (averaging the cost of center and family day care homes and weighting the figure for infants who are more costly to care for) is roughly $4,200 per child per year in Washington. For the full cost of quality care, we have used a figure of $6,500 as an interim figure, and $8,300 as a five year goal.[b] This estimate assumes that it will be necessary to raise average early childhood teacher pay steadily from about $6 per hour to $9 and then about $11 per hour (in constant 1995 dollars). That is what top quality centers currently pay experiences, highly qualified teachers. While this is a major increase, it would still leave early childhood teacher pay at less than half the equivalent pay for K-12 public school teachers.[c]

The $8,300 figure is consistent with the published literature on the cost of quality care. Since the bulk of child care costs are staff related, this figure would double current pay received by early childhood care and education staff, and allow the system to retain qualified people for a longer period of time. The second figure used to represent the cost of intermediate quality is $6,500. This figure moves the system half way between where we're at right now and the $8,300 figure.

Percent of Children, Parents Utilizing Paid Care

Currently, 53% of the population of children aged 0-6 have all parents working. For the sake of simplicity, we assumed that all those parents are working full time.[d] We expect that as quality care becomes more accessible, more parents of young children will enter the labor force and many part-time workers will shift to full time employment. This will increase the hiring opportunities for employers as well as the income of families.

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[b] The figure of $8,300 represents the figure for the average cost of K-12 education per child per year, pro-rated for the number of early childhood care and education days per year. This estimate is low on the one hand in that the school day is shorter than the full time day care day, and too high on the other hand because early childhood care and education requires much lower pupil/teacher ratios than K-12 education. It may not be necessary to raise early childhood care and education teacher salaries all the way to K-12 levels, so the salary aspect is a high end estimate.

[c] It should be noted that all costs are in constant 1994 dollars; since inflation will erode purchasing power over the five year projected implementation period, the actual numbers will have to be increased accordingly.

[d] In a further phase of this study, we intend to develop a dynamic model which will estimate the hare of full and part time child care used by workers at different wage/income levels as quaity and financial access improve.

From this base, we assumed that more parents would be able to work, and more kids would be drawn into the system. We modeled two increases over the current base: 53% to 63% and 53% to 73%. Most likely, as the system phases up, we will move gradually from 53 to 63 to 73 percent. However, growth can be monitored and the system modified if growth is higher or lower than estimated. Some analysts have predicted that utilization would rise as high as 90-95 percent. We believe this is unlikely, given that in a large number of cases, one parent chooses to stay home, or parents choose to combine part-time work schedules to minimize the time children are in care. Based upon surveys of parental preferences, we expect about a quarter of parents to prefer to provide care at home, regardless of financial access. This choice will be due to parental values judgments about the quality of home vs. paid nurturing and the economics of large families. Many families also choose to have child care provided by other family members. We would expect the latent demand to increase participation over the 5 year phase in period from 53% to 73% of children in care.

A Partnership Approach:

No one sector can meet the needs of families and employers alone; parents, employers, and government must all contribute to flexible, creative methods of financing high quality early childhood care and education for all children. Building a early childhood care and education system that serves all children with high quality care will require diverse innovative strategies which involve the public as well as the private sector. A coordinated approach will allow a maximization of existing funds and resources available to invest in children and families.

The current financing model consists of mainly parent fees, with limited government cash subsidies for people of very low income, tax deductions for early childhood care and education expenses, which are used mostly by middle and upper income families; and a mixture of limited community and business subsidies to providers and parents. Because early childhood care and education needs are as diverse as the families and children that use early childhood care and education, a guiding principle of designing a system for the provision of early childhood care and education must be flexibility. Children's needs vary - some thrive in center care and some do better in family day care. Parents' needs vary - some prefer arrangements which are close to their home and some prefer arrangements which are close to their work. No single answer will work for everyone as diverse ages, locations, and types of care preference require choice and a wide range of early educational choices appropriate for the learning styles of different children and the values of their parents.[43]

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Distribution of financial responsibility:

In order to address the affordability of the early childhood care and education system, our model begins with use of a sliding scale parent fee based on income as the base of the system. Parent contributions range between 0% and 10% of total income. We do not believe that low income workers should have to pay the current high 25-30 percent of their income, which forces them to trade off quality early childhood care and education for the other basic necessities of life -- food, housing, health care. As income rises, the share paid for early education can increase. A cap of 10 percent on parent fees will allow the most affluent parents to pay the full cost of quality care. We recommend that the financial responsibility for the remaining costs be distributed among the other funding partners. At the lowest end, it is a governmental responsibility to assist the children of the poor. Very affluent parents are able to afford the full cost of quality care. For the bulk of families in the middle, we recommend a contributory employee benefit approach, building upon creative methods of employers developing appropriate benefits. We recommend assigning financial responsibilities by family income as follows:

0 - 100% poverty	**Government**
100% - 200% poverty	**Government/Employer partnership**
200% - 600% poverty	**Contributory employer benefit approach**
over 600% poverty	**Parent**

After accounting for parent fees, employers would be responsible for between $165 million and $775 million, and government would be responsible for $171 million and $601 million. As current government subsidy for children 0 - 6 is $59 million, and for all kids it is $103 million, the combination of increasing the cost of early childhood care and education and imposing a parental sliding scale will mean a significant increase in subsidy from government and business.

It is important to note that we believe some form of taxpayer assistance will be necessary on a sliding scale up to 200% of the official federal poverty line. Most policy analysts have accepted that families between 100% and 200% of poverty are "working poor", and cannot make ends meet without help[e]. That is why the federal Earned income Tax Credit helps up to 200% of poverty, as does Medicaid for kids; free and reduced price school lunches helps out up to 185% of the federal poverty line.

[e] State of Washington's Children, 1996. Washington Kids Count

Parents:

Early childhood care and education costs are most burdensome for the low-income families, consuming a disproportionate share of their income.

> "Poor families spend an average of 32 % of the mother's income and 22 % of total family income on early childhood care and education, despite the fact that they use somewhat less expensive care than do higher income families. In addition, single parent families spend a larger proportion of their incomes on early childhood care and education than do two parent families, partly because they have lower incomes and partly because they have less flexibility to minimize early childhood care and education costs through shift work."[44]

We recommend that in order to provide equal access to quality care, it will be necessary to reverse the current pattern where low income households pay about 25% of income for early childhood care and education, and affluent households pay 5%. No family should be asked to pay more for early childhood care and education than would allow for the acquisition of other necessities. We estimate that the basic necessities cost about $24,000 for a family of 3, $26,000 for a family of four. We took the actual number of children in the income category multiplied by the cost of care, and imposed an appropriate percentage cap based on income. We have set a maximum contribution for low and moderate income households based upon a minimum family budget which approximates twice the official federal poverty line:

Poverty %:	Family Income:	Acceptable %:	Current %:
0 - 100	below $14,435	0%	25%
100 - 200	$14,436 - $28,872	5%	11%
200 - 300	$28,873 - $43,008	7.5%	
300 - 400	$43,009 - $64,000	10%	7%
400 - 500	$64,001 - $89,600	10%	5%
500 - 600	$89,601 - $128,000	10%	<5%
above 600%	above $128,001	10%	<5%

As the competence and compensation of teachers increase, so will the fees charged by providers. However, there will be a variety of sources families will be able to turn to, rather than having to bear the burden out of pocket beyond the percentages specified above. These percentages paid by families may be considered analogous to deductibles in health insurance, assuring that the consumer of care is fully aware of and participating in the cost.

Most families utilizing early childhood care and education will have all parents working, and will be eligible for employee benefits to assist with care, as described in the next section.

Employers:
Flexible voluntary accounts, with 50/50 employee/employer contributions

Employers are currently making useful contributions to early childhood care and education, but not on a large enough scale to significantly affect the market. The key design principles we have followed were to preserve flexibility and creativity for employers to work within their total compensation packages, while assuring that most employees get covered. While we do not expect to achieve universal coverage immediately through a voluntary system, we believe that if the majority of employees receive coverage, and a backup plan exists for uncovered employees, we will have set a market movement toward universal coverage into place.

Martin Gerry has suggested a new payroll tax to cover the costs of early childhood care and education, with a credit toward the employer's share for any other early childhood care and education expenses, such as on-site care or vouchers[f]. The business leader's group appreciated the value of a 50/50 employee/employer approach, but did not think a substantial new payroll tax was the best mechanism. The simplicity of the approach appears to be offset by its uniformity, cost and employment disincentives. The group therefore decided to shift to a concept of a contributory employee benefit, with flexibility for employers concerning the specific methods used to achieve the goal of every family having access to high quality care.

Existing tax code allows for "cafeteria" style benefits plans. Flexible voluntary accounts to be used to pay for child care or later life expenses can be developed and drawn down as needed. This approach will require a much lower contribution rate than a pay-as-you system, and will allow for employer creativity in arranging benefits. Tax incentives for employees and employers will encourage participation. To make the accounts possible, a change of tax code will be required to allow for employee matching and accumulation across years. Also, questions will need to be addressed regarding the fiduciary responsibility for the employer-directed investment accounts.

We recommend that early childhood care and education coverage be provided as a contributory employee benefit in the following manner:

Features:

1. Every employer should be encouraged (through public education, favorable tax treatment and collective bargaining) to offer all employees the opportunity to create early childhood care and education accounts within a flexible, life-benefits plan. In this approach, employee contributions would be matched at least one-to-one by employers, and be placed in portable[g] accounts which would be invested in private securities. This would be an extension of the "cafeteria plan" of flexible benefits - including child care - currently allowable under section 125 of the Federal tax code.

[f] A paper by Martin Gerry, forth coming in Quality 2000

[g] Portability is critical, since young employees change jobs frequently.

2. From their earliest working years, both parents would begin building up a fund for early childhood care and education. The longer they waited to have children, the more financial assistance would be available. If they did not have children, or did not use paid early childhood care and education, the funds would be available for draw down late in life, either to care for a dependent parent or for their own long-term care.[h] Workers who had children very young would be able to borrow against later contributions.

3. It would also be possible to allow a parent who chose to stay home with children full time, or to work part time, to draw down from his or her account and offset the income lost from working. For some families and communities, this could be more cost effective than using paid out of home care. Since it might not be reasonable to ask employers to contribute to someone leaving the labor force, with no guarantee of return, it might be desirable to only allow half the funds (the employee share) to be drawn down for the purpose of staying at home. This option would encourage participation by employees who might expect to have one parent stay home with their children.

4. The contributions would be invested in private securities and grow over time, so the percent contribution rate would not have to be as high as would a pay-as- you-go tax rate or funding under the current section 125 cafeteria plan, which requires all credits to be used each year. Portability across employers would be a requirement, as younger workers change jobs more frequently.

5. We know that low-paid employees in marginal industries tend to have minimal health or retirement benefits offered by their employer -- this is the group in greatest need of early childhood care and education assistance. Moreover, for low-wage employees, a contribution toward child care coverage would drive them below a basic standard of living to support their family. We therefore propose a government contribution on a sliding scale for workers whose family income is between minimum wage and 200% of the federal poverty line (similar to the scale of the Earned Income Tax Credit). It would also be possible to have a governmental contribution toward the employer share. However, it is difficult to differentiate between a marginal company and, for example, a well-funded startup company which does not turn a profit in early years. This contribution would have to be designed to avoid rewarding employers who simply offer low pay and poor benefits to most workers, while making high profits or high salaries for certain employees.

Incentives vs. Mandates:
The working group believes that we should attempt to achieve the goal of providing access to quality early childhood care and education for all children through education and incentives, rather than mandatory regulation. We therefore explore some of the possible tax incentives.

Favorable tax treatment and incentives could include:

- A credit to employers against their B&O taxes for a portion of the contribution they make toward early childhood care and education.

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[h] These are two other employee needs for which broad-scale financing is not currently available.

- Similarly, local communities could be given authority to give a reduction of property taxes to employers who make such a contribution to their employees, and to early public education in their community. This would effectively include early education in the local tax base used to support public education, without decreasing the amount allocated to K-12 public schools.

The employer contribution would be a business expense and thus supported by the federal tax code. It would be useful to seek a federal income tax amendment which would give these early childhood care and education accounts the same status as dependent care assistance plans, which allow employee contributions to be deducted from taxable income, but which must be spent in the current year, rather than saved and invested. It would also be desirable to raise the current $5,000 cap on tax credits for child care, and for the Dependent Care Assistance Program contributions, to reflect the higher costs of quality care. This should be done in increments.

A state agency or commission could be given the responsibility for tracking the rate of coverage offered by employers over time. If after a certain number of years (3-5) there appeared to be large gaps in coverage or a pattern of discriminatory coverage, then the Commission would be empowered to impose or recommend to the legislature mandatory coverage regulations.

A method of assuring access short of mandating employer contributions would be to create pools of funds at the state or community level to provide early childhood care and education benefits to employees lacking coverage from their employer. Employers who did not offer coverage to their employees could be required to contribute some amount to this pool on a per-employee-salary basis. Employees could contribute at a set level and have individual accounts created on their behalf within the pooled fund, which would be invested in private securities and available for drawn-down under the same conditions as privately held early childhood care and education accounts. Employer payments to the fund could be used to supplement employee account draw-downs. Alternatively, this pool could be supported entirely by state tax revenues, to which employers and employees would contribute. Their contributions would be reduced by the amount of their contributions to employee accounts.

Just as employers are likely to require participation incentives, so are employees. Many young employees may prefer to maximize current income and not plan ahead for early childhood care and education costs, even with the enticement of matching contributions. However, as the infusion of funding and quality requirements drives up the market price of care, the need to contribute will become more apparent. Employees could be given parallel incentives to those for employers: favorable federal income tax treatment, as for Dependent Care Assistance Plans, reduction in state or local property taxes. Self-employed persons could create individual early childhood care and education accounts just as they do with retirement accounts, and receive favorable tax treatment.

Government:

> *"Government has a special responsibility to care for poor children who need high quality early childhood education if they are to overcome their economic disadvantages"*[45]
> - William T. Gormley

In our model, early childhood care and education for lowest income group will continue to be the responsibility of the government, and we also assume that government will provide some assistance to the working poor. Expanding the current voucher system to cover more children at higher rates seems the most effective mechanism to assist low and moderate income families. A variety of innovative mechanisms, such as electronic benefit transfers, can allow these vouchers to be administered most efficiently form the point of view of parents, providers and governmental agencies. Under the current federal structure, there is a sharing of responsibility between state and federal governments for such assistance. However, as the federal government becomes more limited in its fiscal reach, and as early education is accepted as the first step in the public education process for which states have constitutional responsibility, we expect the major impetus to come from state rather than federal government.

A current major federal investment in early care and education is in the form of tax expenditures under the Child Care Tax Credit and the provision allowing the deductibility of Dependent Care Assistance Plan contributions from the taxable income of employees. Middle income households are the primary beneficiaries of these tax expenditures. Each of these provisions is currently limited to $5,000 per taxpayer per year. As the market is shifted upward in price to allow for increased quality, these ceilings should be shifted upward as well. This will reduce the burden on middle income parents who will be paying a higher portion of child care fees.

As discussed above, government also has a potentially important role to play in assisting low wage workers and their employers to assure that an adequate employee benefit is provided so that their children have access to care. The more private employers step up to their responsibilities, the less public investment will be required.

We project the increased state government cost from full access to quality to be $296 million in the interim phase, and $430 million when the full scale quality and participation rates are reached. This could be shared between state and local governments, with some communities choosing to invest in enhanced quality, as under the current K-12 finance system. The tax payer share is about 22 percent of the total cost of the enhanced quality system; the remainder is borne by parent fees and employee/employer contributions.

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Linking Early childhood care and education Financing to Quality:

We cannot assume that all money put into the early childhood care and education system, either as employee compensation or increased funding of providers, will go automatically to increased quality. Some automatic quality increases will occur, as higher compensation brings lower teacher turnover, and as more qualified individuals are attracted to early teaching as a function of normal market forces. However, there is a danger that a substantial share of funding will go to raise compensation for all current employees, regardless of quality. We must therefore consider mechanisms which can directly link funding to quality.

Recruiting and retaining high quality staff requires higher compensation. We must now ask how we assure that raising salaries will bring in better quality teachers, as well as retaining the good ones we currently have. Since we are talking about upgrading the entire early childhood care and education system, rather than simply giving grants to a few centers, we have to talk about an approach which can apply to all staff and all providers. This requires a combination of regulation and incentives. Some principles we think could apply:

- **Staff quality should be judged by competency, as well as by credentials**. That is, we should require that staff demonstrate their skills with children in order to qualify for higher salaries, rather than just asking for a certain degree or certificate. With substantially higher salaries, current staff will be gradually replaced by those with more training and skills. The Child Care Coordinating Committee has developed a set of competencies, but not yet determined a method for implementing them. The National Board for Professional Teacher Standards has promulgated an appropriate set of standards for teachers of children age 3-10 and suggested using direct observation in controlled settings as a method to judge teacher competence. There is thus a fair basis on which to build such a system.

- **Assurance of staff quality should be performed by parental monitoring and peer review, rather than by licensers**. The dynamics of licensing policy are that it is always driven to the minimum acceptable to avoid damage to kids, rather that to assuring highest quality. The human service sectors with the best quality are those driven by peer review - medicine, law, higher education. Washington Association for the Education of Young Children and provider associations could be asked to establish peer review systems, with periodic visits to centers by peer review teams, and visits by teachers to professional development institutes (per the National Board for Professional Teaching Standards approach). Parents should be considered partners with providers and regulators, and their comments should be solicited and considered when reviewing staff competence and program quality. A public education campaign to get parents directly involved as skilled consumers demanding high quality early childhood education and care is a top priority.

- **Providers should have a substantial role for evaluating their staff and assuring quality and competence.** However, there must be safeguards in the system to avoid the incentives for providers to certify that all their staff meet quality standards, and to review the competence of family day care providers, who are mostly solo operators.

- **We recommend a community-wide peer review system, with family home and center providers visiting early childhood care and education settings and observing teachers.** Providers could contribute to a pool of funds from the higher fees they will be receiving to pay for the costs of release time and substitutes. A potential business-civic role could be to monitor the process to assure that high standards are met, rather than simply certifying all current staff. Where employers are making a direct contribution for early childhood care and education, they can exert a direct role in quality assurance. Local Resource and Referral agencies could be charged with organizing peer review team membership, site visits and reports.

- **It could be possible to have providers certified at different levels of quality, and therefore eligible for different levels of fee or voucher reimbursement.** However, it would be necessary to design this in a way which assured that moderate income families were not driven towards low quality, low fee providers.

- **Provider and teacher training programs should be made widely accessible through the state's higher education system, particularly the community colleges and technical institutes.** Universities and other training resources such as resources and referral agencies should be drawn upon as well. Qualified early childhood care and education teachers will not arise automatically as demand increases, since there is currently no significant supply-building capacity. As salaries and professional status are increased, it should be easier to convince colleges and universities to undertake this role. However, an active effort to do this should be included in the marketing phase.

- **Providers (both centers and family homes) with a long track record of quality should be designated and funded to serve as models and mentors**. Model providers could be linked to training institutions for observation and internships, and could be available for parents to visit to observe what quality early education looks like. Employers with a strong commitment to quality could fund such model providers (per Boeing Company's expressed intent) to be observed by their employees and other providers. Funding should also be provided for release time/substitutes to allow teachers to spend time at model providers or 2-5 day institutes. This could be a valuable and feasible business contribution.

- **Standard teacher pay scales, with increments for competency should be explored.** There is currently in place what amounts to a state-wide K-12 public school teacher pay scale, which includes automatic increments for years of experience and graduate course credits and degrees. The problem is that these increments are not linked to either school curriculum needs or demonstrable improvements in teacher performance. Better design could overcome these limitations. Wile there is no standard scale for early childhood education and care teacher salaries, they tend to vary within a relatively narrow range. It would therefore be helpful for both parents and providers to have a state-wide entity publish a desirable range of salaries. There would also have to be appropriate adjustments for different costs of living and competitive salary ranges in different parts of the state.

Mobilizing Parents:

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Parents must be able to understand why quality early childhood care and education is important to their children, and why it is important to pay for it and be able to monitor the service they receive if our quality goal is to be achieved. It has been found in several national surveys that parents rank quality below cost, location and hours in early childhood care and education preferences. Improving understanding and changing attitudes must be an integral part of the strategy to complement the fiscal changes which will reduce the load of the cost factor in the parental choice equation.

We therefore recommend a public education campaign to inform parents about:

- what is quality early education and how to recognize it
- why it is important to children's present and future success
- how quality early education is complementary to parents' roles in setting child-rearing values, rather than competitive with it
- why parents should use early childhood care and education providers with a quality certification
- how to check on quality before enrolling and how to monitor quality on a week-by-week basis

Before such a campaign can move ahead, there must be substantial market research. The surveys cited give the current ranking of parental preferences. Follow-up surveys and focus groups are necessary to reveal the full set of dynamics driving parental desires and how the role of quality can be improved.

The discussion of increased subsidies and intervention in the early childhood care and education system is volatile and emotive. Issues include family values, women's right, and child development. Although resistance is changing due to reduction in stigma associated with early childhood care and education.[46] A significant change in the early childhood care and education system will need to incorporate a public education element.

Action from the Partners:

We see several immediate steps which each of the partners can take in order to move the early childhood care and education market towards quality:

Parents:

- Encourage employers to participate in developing employee benefit accounts.
- Know and demand quality early childhood care and education.
- Be an advocate for quality child care in the community

Employers:

- Set up employee benefit plans and educate employees.
- Advocate for the plan in businesses, community, and business associations.
- Develop assistance to smaller employers, through business associations or public agencies.
- Provide family friendly practices.

Government:

- Tax incentives for employees and employers who contribute to accounts.
- Increase public reimbursement rates for low income children to reflect cost of quality guidelines, perhaps on a multi-tier reimbursement system.
- Designate space for child care in new public and private buildings such as schools, improve zoning.

Professional Development and Certification:

- Promulgate standards through professional organizations, link compensation to competency.
- Create per review and certification mechanisms: Provider Association, Resource and Referral Agencies. Specify links to state licensing activity, building upon national standards.
- Enlarge investment in training opportunities in community and technical colleges and other early childhood care and education training entities (funding for teaching staff, student FTEs and financial assistance).
- Mount parent education campaign to recognize and demand quality early child care and education.

Community:

- Contribute in-kind resources to early childhood care and education.
- Volunteer time and assistance.
- Bring parents, employers, civic leaders together to stimulate high quality early childhood care and education.

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Notes

[1] Gormley, p.80
[2] Source: WKC Calculations. Charting a Course ... ?
[3] DSHS/ORDA ??
[4] Connelly p. 112
[5] DSHS/ORDA ??
[6] Gormley p. 68
[7] Gormley p. 69
[8] Gormley p. 73
[9] *Cost, Quality, and Child Outcomes in Child Care Centers* was conducted by the University of Colorado at Denver, the University of California at Los Angeles, the University of North Carolina, and Yale University and released in April, 1995
[10] Source. Casey Family Program, others . . .
[11] Edie p. 53
[12] Kisker and Maynard p. 134
[13] WKC Calculation, SWC-95; based on data from DSHS/ORDA and ES.
[14] cite Whitebrooke et al
[15] Gormley p. 5
[16] A Study on Child Care Subsisies and Economic Development Trends, The Community Human Services Department, Ramsey County, MN
[17] Walker p. 56
[18] Gormley p. 4
[19] Lawrence J. Schweinhart and David P. Weikart, Significant Benefits; The High/Scope Perry Preschool Study Through Age 27, High/Scope Educational Research Foundation, September 1992.
[20] Kisker and Maynard p. 129, Gormley p. 26
[21] Hayes et al. 1990
[22] Kisker and Maynard p. 135
[23] Kisker and Maynard p. 130
[24] Kisker and Maynard p.131
[25] Blau, p.163
[26] Blau p. 146, 151
[27] Gormley p.5, Walker p.67
[28] Kisker and Maynard p. 130
[29] Blau p. 8, Kisker and Maynard p.136
[30] Robins, p. 31
[31] Robins p. 31
[32] Hofferth and Phillips, 1987, Walker p. 52
[33] Bureau of Labor Statistics, unpublished data, calculations by the Children's Defense Fund, March 1994.
[34] same source
[35] "Women and the Labor Market: The Link Grows Stronger," Monthly Labor Review, March 1988.
[36] Blau p. 167
[37] Robins p. 38
[38] Child Care Action Campaign
[39] Child Care Action Campaign
[40] Ellen Galinsky, Anne Morris "Employers and Child Care'" Families and Work Institute, October, 1991.
[41] Packard Foundation, Long-term Outcomes of Early ... *Future of Children*, ...
[42] Gormley p. 5
[43] Walker p 56, Blau p 169
[44] Kisker and Maynard p. 134
[45] Gormley, p.5
[46] Robins, p13

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Appendix:

Early childhood care and education in the United States vs. other countries:

Esping-Andersen categorizes industrial nations into three frameworks:

- Social democratic welfare states such as the Scandinavian countries
- Corporatist welfare states such as France, Germany, and Italy
- Liberal market states such as Australia, Canada, the United Kingdom, and the US

Social democratic welfare states in general are committed to both the right to work and the right not to work with young children. These nations therefore have the strongest commitment to early childhood care and education policies which allow parents to find affordable, reliable early childhood care and education while working outside the home. Early childhood care and education is heavily subsidized by the government, regulations are relatively strict, and quality of care is generally high. Moreover, maternity benefits and paid parental leave makes it possible for parents to stay home for the first year of their child's life, and return to jobs which have been kept for them.[46]

Corporatist welfare states have also invested heavily in early childhood care and education facilities and services. Regulation of funding and regulation of the centers varies across different countries. In contrast to the social welfare states, early childhood care and education slots becomes available to children of three years of age at substantially reduced rates. The premise is both that mothers will stay home with their children and that there is a father who is able to provide support during that time as the interim stipend is modest.[46]

Liberal market states do not encourage parents of young children either to work or stay at home.[46] The system lacks both paid parental leaves and subsidized early childhood care and education facilities. The system of regulation and sponsorship is diverse and fragmented. Early childhood care and education subsidies are available to both low-income and middle-income parents but both groups remain frustrated as finding and paying for good early childhood care and education is difficult.[46]

What can parents do?

Whereas affluent parents could afford to pay more for child care, the average family cannot. Washington child care costs take an average of 20% of after-tax wages for the average worker, *per child*. This does not leave enough to provide the other necessities.

What can business do?

Many employers are finding creative ways to help, including flexible work arrangements and the provision of child care resource and referral services. Other strategies to support child care include:

- grants to providers
- provision of business advice
- formation of business consortiums to create child care to serve employees
- development of a multi-partner child care fund
- public/private partnerships

However, it is not economically feasible for most businesses to pay the full cost of child care for their employees.

What can the community do?

Much of the unseen subsidy to child care comes from community contributions, such as free space in churches, schools, or public buildings, contributions of cash, equipment or food, and the time of volunteers. This is an important resource to encourage, but cannot be counted on to provide a stable operating budget that will support quality teachers.

What can government do?

Government provides several forms of child care assistance. Head Start and Washington State's ECEAP programs provide education for many low-income preschool children. However, this does not fully meet the needs of parents or employers, since most of the programs only run half a day. They also do not serve the youngest children, who have the greatest needs and cost of care.

Some have suggested that the market can be induced to provide higher quality by regulating the type of care provided. Regulation without further subsidy would raise fees beyond the reach of the average wage working family. Partial regulation may raise quality in the market, but drive many families into use of unregulated child care.

The bottom line:

No one sector can meet the need of families and employers alone; parents, employers and government must all contribute to flexible creative methods of financing high quality early education for all our children.

For more information on child care quality and financing strategies, contact Washington Kids Count at (206) 685-7613

University of Washington
Institute for Public Policy and Management

WASHINGTON KIDS COUNT
Human Services Policy Center
1914 N. 34th, XD-49
Seattle, Washington 98195

Building Blocks to Finance Early Childhood Education

HSPC: a collaboration of the

Graduate School of Public Affairs

College of Education

School of Social Work

School of Public Health and Community Medicine

School of Nursing

School of Communications

Richard N. Brandon, Ph.D.
Executive Director
HSPC

WASHINGTON kids count

Current System

- parents fees finance bulk of system
- mixture of limited community and business sibsidies to providers, parents
- government cash subsidies for very low income
- tax deductions for child care expenses, dependent care assistance plans

Public school, Head Start/ECEAP financing model:

- all basic costs through taxes,
- limited local and parental supplements
- maintain parallel public and private schools

Higher ed financing model:

- public financing of some providers
- grants, loans to students based on need
- parental payments for portion of costs

Employer driven approaches:

- on site care or employer consortia
- referral with partial payments
- job sharing and other release time
- inclusion in flexible "cafeteria plan" benefit package

Retirement: 401(k) and Social Security models:

- individual benefit accounts - defined benefits, defined contributions
- matched employee/employer contributions to fund

Health Model

- private insurance for families, employee/employer contributions
- government backup for low income

Tax Incentives:

- pre-tax dependent care assistance plan deductions; child care tax credits for parents
- writeoffs for providers
- writeoffs for employer payments

Community Contributions

- rent subsidies: free space in churches, schools
- volunteer time; contributions of equipment, food
- community funds on United Way model; cash from fundraising

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12/18/95

Financing Quality Child Care; Summary Page of Costs

Payment by Mechanism: (in $ millions)

	Cost of Care per Child:	% of Kids with all Parents Working:	Cost to System:*	Total Increased Cost:*	Parents Fees:*	Emplyee Benefits (50% contribution)	Gov't/ Employer Mech:*	Gov't Mech:*
Cur:	$4,200	53%	$983	xxx	$553	$190	$139	$101
Inc. 1:	$6,500	63%	$1,797	$814	$673	$614	$289	$221
Inc. 2:	$6,500	73%	$2,096	$1,113	$743	$713	$347	$293
Inc. 3:	$8,300	63%	$2,291	$1,308	$678	$954	$377	$282
Inc. 4:	$8,300	73%	$2,672	$1,689	$748	$1,097	$453	$374

Payment by Payor: (in $ millions)

	Cost of Care per Child:	% of Kids with all Parents Working:	Cost to System:*	Total Increased Cost:*	Parents/ Employees Pay:*	Employers Pay:*	Gov't Pays:*
Cur:	$4,200	53%	$983	xxx	$648	$165	$171
Inc. 1:	$6,500	63%	$1,797	$814	$980	$452	$366
Inc. 2:	$6,500	73%	$2,096	$1,113	$1,100	$530	$467
Inc. 3:	$8,300	63%	$2,291	$1,308	$1,155	$666	$471
Inc. 4:	$8,300	73%	$2,672	$1,689	$1,297	$775	$601

*Numbers in Millions

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Quality Child Care

Parent Fee Sliding Scale Illustration

Children aged 0-6 @ $8,300 - 53% of total

Family Income:		Parents Pay:	Cost of Care:	# of Kids:	% of Kids in the Market:	# of House-holds:	Total Parents Pay:*	Total Other: Pays:*
$14,435		$0	$8,300	24,000	10%	14,000	$0	$199
$14,436	$28,872	$1,083		39,000	17%	23,000	$25	$299
$28,873	$43,008	$2,696		46,000	20%	27,000	$73	$309
$43,009	$64,000	$5,350		65,000	28%	38,000	$203	$337
$64,001	$89,600	$7,680		38,000	16%	22,000	$169	$146
$89,601	$128,000	$10,880		15,000	6%	9,000	$98	$27
$128,001		$12,800		7,000	3%	4,000	$51	$7
TOTAL				234,000	100%	137,000	$619	$1,324

Children aged 0-6 @ $6,500 - 53% of total

Family Income:		Parents Pay:	Cost of Care:	# of Kids:	% of Kids in the Market:	# of House-holds:	Total Parents Pay:*	Total Other: Pays:*
$14,435		$0	$6,500	24,000	10%	14,000	$0	$156
$14,436	$28,872	$1,083		39,000	17%	23,000	$25	$229
$28,873	$43,008	$2,696		46,000	20%	27,000	$73	$226
$43,009	$64,000	$5,350		65,000	28%	38,000	$203	$220
$64,001	$89,600	$7,680		38,000	16%	22,000	$169	$78
$89,601	$128,000	$10,833		15,000	6%	9,000	$98	$0
$128,001		$11,375		7,000	3%	4,000	$46	$0
TOTAL				234,000	100%	137,000	$614	$909

Children aged 0-6 @ $4,200 - 53% of total

Family Income:		Parents Pay:	Cost of Care:	# of Kids:	% of Kids in the Market:	# of House-holds:	Total Parents Pay:*	Total Other: Pays:*
$14,435		$0	$4,200	24,000	10%	14,000	$0	$101
$14,436	$28,872	$1,083		39,000	17%	23,000	$25	$139
$28,873	$43,008	$2,696		46,000	20%	27,000	$73	$120
$43,009	$64,000	$5,350		65,000	28%	38,000	$203	$70
$64,001	$89,600	$7,255		38,000	16%	22,000	$160	$0
$89,601	$128,000	$7,000		15,000	6%	9,000	$63	$0
$128,001		$7,350		7,000	3%	4,000	$29	$0
TOTAL				234,000	100%	137,000	$553	$430

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Children aged 0-6 @ $8,300 - 63% of total

Family Income:		Parents Pay:	Cost of Care:	# of Kids:	% of Kids in the Market:	# of House-holds:	Total Parents Pay:*	Total Other: Pays:*
$14,435		$0	$8,300	34,000	12%	20,000	$0	$282
$14,436	$28,872	$1,083		49,000	18%	28,000	$30	$377
$28,873	$43,008	$2,696		57,000	21%	33,000	$89	$384
$43,009	$64,000	$5,350		77,000	28%	45,000	$241	$398
$64,001	$89,600	$7,680		37,000	13%	22,000	$169	$138
$89,601	$128,000	$10,880		15,000	5%	9,000	$98	$27
$128,001		$12,800		7,000	3%	4,000	$51	$7
TOTAL				276,000	100%	161,000	$678	$1,613

Children aged 0-6 @ $6,500 - 63% of total

Family Income:		Parents Pay:	Cost of Care:	# of Kids:	% of Kids in the Market:	# of House-holds:	Total Parents Pay:*	Total Other: Pays:*
$14,435		$0	$6,500	34,000	12%	20,000	$0	$221
$14,436	$28,872	$1,083		49,000	18%	28,000	$30	$289
$28,873	$43,008	$2,696		57,000	21%	33,000	$89	$282
$43,009	$64,000	$5,350		77,000	28%	45,000	$241	$260
$64,001	$89,600	$7,680		37,000	13%	22,000	$169	$72
$89,601	$128,000	$10,833		15,000	5%	9,000	$98	$0
$128,001		$11,375		7,000	3%	4,000	$46	$0
TOTAL				276,000	100%	161,000	$673	$1,124

Children aged 0-6 @ $4,200 - 63% of total

Family Income:		Parents Pay:	Cost of Care:	# of Kids:	% of Kids in the Market:	# of House-holds:	Total Parents Pay:*	Total Other: Pays:*
$14,435		$0	$4,200	34,000	12%	20,000	$0	$143
$14,436	$28,872	$1,083		49,000	18%	28,000	$30	$176
$28,873	$43,008	$2,696		57,000	21%	33,000	$89	$150
$43,009	$64,000	$5,350		77,000	28%	45,000	$241	$82
$64,001	$89,600	$7,064		37,000	13%	22,000	$155	$0
$89,601	$128,000	$7,000		15,000	5%	9,000	$63	$0
$128,001		$7,350		7,000	3%	4,000	$29	$0
TOTAL				276,000	100%	161,000	$607	$551

Children aged 0-6 @ $8,300 - 73% of total

Family Income:		Parents Pay:	Cost of Care:	# of Kids:	% of Kids in the Market:	# of House-holds:	Total Parents Pay:*	Total Other: Pays:*
$14,435		$0	$8,300	45,000	14%	26,000	$0	$374
$14,436	$28,872	$1,083		59,000	18%	34,000	$37	$453
$28,873	$43,008	$2,696		68,000	21%	40,000	$108	$456
$43,009	$64,000	$5,350		90,000	28%	52,000	$278	$469
$64,001	$89,600	$7,680		37,000	12%	22,000	$169	$138
$89,601	$128,000	$10,880		15,000	5%	9,000	$98	$27
$128,001		$12,800		7,000	2%	4,000	$51	$7
TOTAL				321,000	100%	187,000	$741	$1,924

Children aged 0-6 @ $6,500 - 73% of total

Family Income:		Parents Pay:	Cost of Care:	# of Kids:	% of Kids in the Market:	# of House-holds:	Total Parents Pay:*	Total Other: Pays:*
$14,435		$0	$6,500	45,000	14%	26,000	$0	$293
$14,436	$28,872	$1,083		59,000	18%	34,000	$37	$347
$28,873	$43,008	$2,696		68,000	21%	40,000	$108	$334
$43,009	$64,000	$5,350		90,000	28%	52,000	$278	$307
$64,001	$89,600	$7,680		37,000	12%	22,000	$169	$72
$89,601	$128,000	$10,833		15,000	5%	9,000	$98	$0
$128,001		$11,375		7,000	2%	4,000	$46	$0
TOTAL				321,000	100%	187,000	$736	$1,353

Children aged 0-6 @ $4,200 - 73% of total

Family Income:		Parents Pay:	Cost of Care:	# of Kids:	% of Kids in the Market:	# of House-holds:	Total Parents Pay:*	Total Other: Pays:*
$14,435		$0	$4,200	45,000	14%	26,000	$0	$189
$14,436	$28,872	$1,083		59,000	18%	34,000	$37	$211
$28,873	$43,008	$2,696		68,000	21%	40,000	$108	$178
$43,009	$64,000	$5,350		90,000	28%	52,000	$278	$100
$64,001	$89,600	$7,064		37,000	12%	22,000	$155	$0
$89,601	$128,000	$7,000		15,000	5%	9,000	$63	$0
$128,001		$7,350		7,000	2%	4,000	$29	$0
TOTAL				321,000	100%	187,000	$670	$678

Children aged 6-12 @ $4,000 - 50% of 7%

Family Income:		Parents Pay:	Cost of Care:	# of Kids:	% of Kids in the Market:	# of House-holds:	Total Parents Pay:*	Total Other: Pays:*
$14,435		$0	$4,000	1,000	6%	1,000	$0	$4
$14,436	$28,872	$1,083		3,000	18%	2,000	$2	$10
$28,873	$43,008	$2,696		3,000	18%	2,000	$5	$7
$43,009	$64,000	$5,350		5,000	29%	3,000	$16	$4
$64,001	$89,600	$6,000		3,000	18%	2,000	$12	$0
$89,601	$128,000	$4,000		1,000	6%	1,000	$4	$0
$128,001		$4,000		1,000	6%	1,000	$4	$0
TOTAL				17,000	100%	12,000	$43	$25

Children aged 6-12 @ $2,400 - 50% of 7%

Family Income:		Parents Pay:	Cost of Care:	# of Kids:	% of Kids in the Market:	# of House-holds:	Total Parents Pay:*	Total Other: Pays:*
$14,435		$0	$2,400	1,000	6%	1,000	$0	$2
$14,436	$28,872	$1,083		3,000	18%	2,000	$2	$5
$28,873	$43,008	$2,696		3,000	18%	2,000	$5	$2
$43,009	$64,000	$4,000		5,000	29%	3,000	$12	$0
$64,001	$89,600	$3,600		3,000	18%	2,000	$7	$0
$89,601	$128,000	$2,400		1,000	6%	1,000	$2	$0
$128,001		$2,400		1,000	6%	1,000	$2	$0
TOTAL				17,000	100%	12,000	$30	$9

* Numbers in millions

Resource Materials:

Child Care, Early Education, Work/Family

Washington State Resources:

Business/Child Care Initiative - Child Care Resources:

The Business/Child Care Initiative is one of four top recommendations from the City of Seattle's Child Care Staffing Task Force for improving the quality of child care in Seattle. BCCI's mission is to improve the quality of child care by facilitating partnerships and an exchange of resources between business and child care.

Resources: ***Business/Child Care Initiative 1994 Report***

Contact: Bill Larrabee (206) 461-3213 ext. 216

Options for the 90's - National Council of Jewish Women, Seattle Section:

Through community service, education, advocacy and research, NCJW volunteers have traditionally served as a strong and effective supporters of child care at the local, state and national levels. In Washington state, NCJW has a 93 year history of dealing with work/family and children's issues, and is currently working to promote family-friendly workplace policies by disseminating reports and making presentations to business and service organizations.

Resources: ***Options for the 90's***, a guide for small businesses in King County, provides a review of programs currently being offered by local employers to assist their employees.

Contact: Lennie Ziontz (206) 232-5647

Parent Involvement - Washington State PTA:

Parents are the key to their child's success in school. Washington State PTA has placed a top priority on reaching out to parents - through employers, community groups, and associations - to increase their understanding of this important role.

Resources: **A series of seminars which explore the parent's role in their children's school success.** Some of these seminars teach parents how to become skillful parent educators and powerful advocates for their children. Other seminars explore the parents' role as influential partners with the school system as members of shared decision making teams

Contact: Marcia Holland (206) 565-2153

Washington Kids Count - University of Washington Human Services Policy Center:

Washington Kids Count is a multi-faceted effort to focus public attention on the conditions of young children and their families, and promote community involvement in efforts to improve child well-being. The goal of the "Be a Business Leader for Kids" campaign is to demonstrate to business people why it is important for them to get involved in efforts to improve child well-being, and how other business people in Washington State are taking the lead. Activities include producing and distributing a series of publications, incorporating the message into speeches to business organizations, setting up interviews/guest commentary and placing articles in business publications.

Resources: ***Be a Business Leader for Kids*** brochure, ***Charting a Course for the Future*** report, ***Child Care Counts...1995*** fact sheet, ***The State of Washington's Children*** report.

Contact: Rick Brandon (206) 685-7613

Working Women Count - U.S. Dept. of Labor, Women's Bureau:

The Women's Bureau established the Working Women Count Honor Roll to stimulate real change for working women in areas they care about most: Improving Pay and Benefits, Building the Family Friendly Workplace, and Valuing Women's Work through Job Training and Career Advancement. The Honor Roll recognizes voluntary efforts by companies and organizations to make work better -- and it magnifies their successes by sharing them with others across the country.

Resources: ***Join the Working Women Count Honor Roll***; ***Care Around the Clock: Developing Child Care Resources Before 9 and After 5***; ***The Family Friendly Workplace Poster -- Ask, Listen, Respond***; and the ***Work and Family Resource Kit, Alternative Work Patterns, Fact Sheet, Child Care Costs as a Barrier to Women's Employment, CHOICES--Clearinghouse on Implementation of Child Care and Eldercare Services, Employers and Child Care: Benefiting Work and Family, Flexible Workstyles: A Look at Contingent Labor.***

Contact: Karen Furia (206) 553-1534

Children's Trust Foundation:

The Family-Friendly Index Study II includes 19 of Washington's largest companies. The report also highlights some of the findings the 1993 study of 26 Puget Sound area companies. The includes demographic and background information and comparative analysis of 48 family-supportive programs and policies.

Contact: Children's Trust Foundation
1305 4th Avenue, Suite 518, Seattle, WA 98101
(206) 343-5911

Seattle Department of Housing and Human Services:

Resources: ***Child Care Staffing Task Force; A Report to the Mayor and Seattle City Council Recommendations of the Child Care Staffing Task Force***, April 1994.

Contact: Jean Bombardier (206) 386-1147

U.S. Bancorp:

U.S. Bancorp has written a manual for managers to help them implement and evaluate alternative work schedules for their departments, and is pleased to make it available to the business community.

Contact: Rosie Burns, U. S. Bank - Human Resources
P.O. Box 720, Seattle, WA 98111-0720

National Resources:

Child Care Action Campaign:

Contact:
Barbara Reisman, Executive Director, Child Care Action Campaign
330 Seventh Avenue, 17th Floor, New York, NY 10001-5010
(212) 239-0138

Resources:

Child Care: The Bottom Line
Presents child care as an economic issue. Analyzes the costs and benefits of increased investment in child care by the public and private sectors.

Investing in the Future: Financing Strategies for Child Care
Highlights successful financing models, including grants and loans, bank reinvestment strategies, community initiatives, bonds, pension funds, and employer partnerships.

Making the Connections: Public-Private Partnerships in Child Care
Highlights 20 successful and innovative partnerships for child care between private business, voluntary organizations and public agencies.

Not too Small to Care: Small Businesses and Child Care
Profiles 29 businesses employing under 250 workers that have implemented a wide array of child care benefits.

Also recommended:
Child Care Options: A Workplace Initiative for the 21st Century *by Margery Leveen Sher and Madeline Fried.*
Examines the changing workplace and shows how providing child care assistance benefits employers. Looks at options and presents detailed information on how to start a child care center, from initial needs assessment through design, financing and management issues.
Published by Oryx Press, 4041 North Central at Indian School Road, Phoenix, AZ 85012-3397

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Children's Defense Fund:

Contact:
Helen Blank, Director, Child Care and Family Support Services
Washington, DC
(202) 628-8787

Resources:

Child Care Development: Key Facts 1994
A compilation of statistics about utilization, cost, availability, funding (federal, state, local, and private), and more.

First Steps, Promising Futures: State Prekindergarten Initiatives in the Early 1990s
Results of a CDF survey of state initiatives for the care of prekindergarten-age children, examining both separate state models and supplements for existing federal programs. (1995)

Investing in Our Children's Care
Reviews state-by-state initiatives to improve child care funding through the 1990 Child Care and Community Development Block Grant. (1993)

State Investments in Child Care and Early Education
Based on a 50-state survey conducted by CDF, documents disparities in state expenditure on child care and early childhood programs. (1992)

Families and Work Institute:

Contact:
Ellen Galinsky, Co-President
Dana Friedman, Co-President
330 Seventh Ave., 14th Floor, New York, NY 10001
(212) 465-2044

Resources:

Addressing the Supply of Child Care: The Family Day Care Approach
Commissioned by the US Department of Labor, this paper reviews the supply and demand for child care. It also makes recommendations for further expansion of family day care, including corporate assistance. D. Friedman, 1989.

Child Care Aware: A Guide to Promoting Professional Development in Family Child Care
This guide is designed to provide communities with the information necessary to plan and implement a professional development initiative similar to Dayton Hudson's Child Care Aware Initiative - a national initiative to improve the supply of and demand for quality family child care. A.L. Dombro, 1995.

Corporate Child Care Issues:

Child Care and Productivity, E. Galinsky, 1988
The Fortune Magazine Child Care Study, E. Galinsky, D. Hughes, 1987
Child Care for Employees' Kids, D. Friedman, 1986

Using research findings, these articles discuss the effects on working parents and employers of balancing the need for accessible, quality child care with worker productivity. An overview of employer-supported child care options is also provided.

Education Before School: Investing in Quality Child Care
A committee for Economic Development Publication, prepared by the Families and Work Institute. Views child care as an important opportunity to foster the healthy development and education of all of our children from the very earliest stages of life - particularly in an era of shifting demographics and a rapidly changing economy. E. Galinsky, D. Friedman, 1993.

Employers and Child Care
This academic paper presents data from two samples of all size employers on the prevalence of child care and other work-family initiatives. Predictors of employer involvement in child care and work-family initiatives are presented and discussed in terms of implications for policy. E. Galinsky, A. Morris, 1992.

Lots of Funds for Dependent Care
This article describes the new strategy of creating "corporate funds", or setasides, for the purpose of improving the supply and quality of child care and elder care services. The structure, staffing, costs and accomplishments of five companies are presented. D. Friedman, 1992.

Productivity Effects of Workplace Child Care Centers
A summary of the causes of work-family conflict and the degree to which an employer-sponsored child care program can reduce negative work behavior. D. Friedman, 1989.

Public-Private Partnerships for Child Care: A Feasibility Study for New York State
After a review of partnerships around the country, this report details the ingredients for success and the advantages and disadvantages of partnerships including tax credits, bonds, loans, and insurance plans. D. Friedman, M. King, 1991.

Quality in Family Child Care and Relative Care
An in-depth presentation and analysis of the findings *from The Study of Children in Family Child Care and Relative Care*, this book examines relationships among quality and regulation, family income, costs, provider turnover, mothers' satisfaction, and children's development. S. Kontos, C. Howes, M. Shinn, E. Galinsky, 1994

The Cost of Not Providing Quality Early Childhood programs
This paper defines and outlines the importance of quality child care and the effects of poor quality child care on children, parents, and society. E. Galinsky, 1990.

The Florida Child Care Quality Improvement Study: Interim Report
This study investigates how Florida's improved staff-to-child ratios and education requirements for teachers affect the quality of early education and care and children's development. Data for this interim report come exclusively from *The Children Study*, one of three substudies of this ongoing research project. C. Howes, E. Smith, E. Galinsky, 1995

The Private Sector as a Partner in Early Care and Education
A discussion of the development and impact of corporate involvement in child care and early education. E. Galinsky, 1990.

The Role of the Corporation in Promoting Early Childhood Education and Care and Family Support Systems
How corporations can promote early childhood education and care while supporting the family through financial assistance, donating expertise, providing information, or direct service. Also addressed is how to increase the supply and improve the quality of child care. E. Galinsky, 1990.

National Association for the Education of Young Children:

Contact:
1509 16th Street, NW, Washington, DC 20036-1426
(800) 424-2460 or (202) 232-8777

Resources:
Books:
Child Care: Quality Is the Issue
This 16-page briefing paper summarizes research on child care quality; it gives a great overview for the media and policy makers.

Making a Career of It: The State of the States Report on Career Development in Early Care and Education
The first comprehensive, national study documenting the crisis in training and career development. The full report contains key findings, promising practices, and policy recommendations for planning and improving regulation, delivery, and financing of early childhood training. Includes extensive data on each state. G. Morgan, S.L. Azer, J.B. Costley, A. Genzer, I.F. Goodman, J. Lombardi, B. McGimsey.

Quality in Child Care: What Does Research Tell Us?
We know that low-quality child care is not good for young children and that high-quality in child care is crucial. But what is "high quality"? How does one measure it? Here, expert researchers explain what they are discovering. D.A. Phillips, Ed.

Quality Matters: Improving the Professional Development of the Early Childhood Work Force
Key components of an effective, broad-scale system for early childhood professional development, as seen by a group of leaders in the field assembled by the Carnegie Corporation. The report also includes short and long-term strategies for planning, financing, and achieving such a system. C. Copple.

Reaching the Full Cost of Quality in Early Childhood Programs
A handbook for programs and communities. Use this tool to calculate the full cost of quality and determine how to achieve it. B. Willer, Ed.

What Is Quality Child Care?
A thoughtful consideration of the elements of quality required by early childhood programs and action strategies for achieving such quality. B.M. Caldwell, A.G. Hilliard III.

Brochures:
Compensation Guidelines for Early Childhood Professionals
A Position statement of the National Association for the Education of Young Children.

What Are the Benefits...of High-Quality Programs?
Identifies research that clearly demonstrates that quality early childhood programs are a cost-effective investment in our future, with lasting benefits for children, families, and society.

Where Your Child Care Dollars Go
Explains why child are costs can seem high. Stresses links between staff compensation and high-quality programs.

Center for Policy Alternatives:

Contact:
(202) 387-6030

Resources:
A Guide to Child Care Facility Guarantee Funds with Model Legislation
Richard Ferlauto, 1993

The Child Care Crunch
Rivh Ferlauto, 1993

The Child Care Challenge: Creating Solutions through Employer-Supported Programs and Public-Private Initiatives
Donna Talbert, 1990

National Center for Children in Poverty:

Contact:
Columbia University School of Public Health
154 Haven Avenue, New York, NY 10032
(212) 927-8793

Resources:
Promoting Professionalism through Family Day Care Networks
Analyzes eight NYC neighborhood networks operated through Child Care. Inc. M. Larner, N Chaudry, 1993.

Child Care Choices, Consumer Education, and Low-Income Families
Examines research on families' child care preferences and explores how state/local programs educate consumers about child care choices. Reports on a nine-state survey of JOBS mothers. A. Mitchell, E. Cooperstein, M. Larner, 1992.

Child Care Financing Think Tanks in Other States:

Hawaii:

The Vision Of An Optimal Early Childhood Education and Care System for Hawaii in the Year 2000

Contact: Susan Jones
Hawaii Community Foundation, 222 Merchant Street
Honolulu, HA 96813

Financing the Vision, a report on the current system and costs and financing strategies for an optimal system.

Contact: Jackie Dudock
Governor's Office of Children and Youth, PO Box 3044
Honolulu, HA 96802

Minnesota:

Economic Summit: Weaving the Web of Support for Families, September 17, 1994
A proposal for comprehensive child care financing reform.

Contact: Alliance of Early Childhood Professionals
1600 East Lake Street, Minneapolis, MN 55409
(612) 721-4246

California:

The California Child Care Economic Summit; Financing the Future for California's Children
The report from the Child Care Economic Summit discusses three government financing options.

Contact: Mary Petsche, Executive Director of the Child Care Coordinating Committee
(415) 696-8780

Other Studies:

Cost, Quality, and Child Outcomes in Child Care Centers, Executive Summary, second edition. University of Colorado at Denver, Economics Department, 1995.

Contact: Cost, Quality, and Child Outcomes Study
Economics Department, Campus Box 159, PO Box 173364
University of Colorado at Denver, Denver, Colorado 80217-3364
(303) 556-4934

Employer Studies:

DuPont

This study represents findings from a recent survey of work and family programs at DuPont. The study was conducted for DuPont by Rodgers & Associates, a division of Work/Family Directions.

Contact: Gail Dill, DuPont External Affairs
1007 Market Street, Wilmington, DE 19898
(302) 774-9243

The Link Between Family-Responsive Policies and Work Performance at Fel-Pro Inc.

This report presents data from an employee survey of Fel-Pro, Inc., a manufacturing firm located in Skokie Illinois. Questions addressed include the types of benefits offered, usage, levels of employee appreciation, and promotion of strong work performance.

Contact: Susan J. Lambert, Ph.D.
University of Chicago, School of Social Service Administration
(312) 702-1143

An Evaluation of Johnson & Johnson's "Balancing Work and Family Program" (executive summary)

This study evaluates the impact of Johnson and Johnson's "Balancing Work and Family Program" which consists of 11 programs designed to help employees better balance their families and their jobs.

Contact: Families and Work Institute:
330 Seventh Ave., 14th Floor, New York, NY 10001
(212) 465-2044

Other Resources:

Why Child Care Matters; Preparing Young Children for a More Productive America

A statement by the Research and Policy Committee of the Committee for Economic Development, a research organization of more than 200 business executives and educators.

Contact: Committee for Economic Development
2000 L Street NW, Suite 700, Washington DC 20036
(202) 296-5860

Education Before School: Investing in Quality Child Care

This book underscores the strong link between the quality of children's early care and education and the possibility of school reform, and describes the stake that every sector of society holds in helping to strengthen our nation's child care system. A Committee for Economic Development Publication, prepared by the Families and Work Institute. E. Galinsky and D. Friedman, 1993.

Work and Family: Policies for a Changing Work Force

Information regarding how the family and the workplace arrived at their current relationship and evaluating the quality and the cost of care for dependents in this nation. The volume describes the advantages and disadvantages of being part of a working family and takes a critical look at the range of benefits provided, including existing and proposed employer programs for families. Marianne Ferber, National Research Council, 1991.

Compiled by Diana Smith, Washington Kids Count